

OPPOSING S.256, THE BANKRUPTCY ABUSE AND CONSUMER PROTECTION ACT

Wednesday, 13 April 2005

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Mr. Speaker,

I rise in strong opposition to S. 256. This bankruptcy bill is touted as reform, but it is actually a wolf in sheep's clothing intended to allow credit card companies and other lenders to gouge consumers when they are most vulnerable.

Republicans are giving this gift to big credit card companies at a time when many Americans are faced with uncertain job stability, retirement security, and health coverage. In fact, 90% of all bankruptcies are filed due to the common financial emergency of a lost job or lack of medical coverage. This bill makes it harder for working families to seek shelter from these devastating and unavoidable expenses.

The Wall Street Journal recently featured the case of a constituent in my district. Crystal Herndon, a single mom in Haywood, California, earns \$15 an hour. Ms. Herndon got sick with pneumonia, causing her to miss six weeks of work and rack up over \$5,000 in medical bills. These unforeseen expenses caused her to fall behind on other financial obligations, and before she knew it she was simply unable to make ends meet. Bankruptcy protection was the only way out for Ms. Herndon and her family. It's hard to see the abuse in real instances of need such as these, especially when many Americans live paycheck to paycheck.

Sadly Crystal Herndon is not the only worker to be forced into bankruptcy due to unavoidable medical expenses. According to a recent Harvard University research study 2 million Americans, including filers and their dependents, face the double jeopardy of illness and bankruptcy each year. Most of these medically bankrupt are middle-class homeowners with responsible jobs and health insurance coverage. Once illness strikes, high co-payments, deductibles, exclusions from coverage, and other loopholes quickly overwhelm these families' budgets. Loss of income and health insurance often deepen this

financial crisis when a breadwinner becomes too sick to work.

To add insult to injury, consumers like Crystal Herndon will potentially face an avalanche of litigation that they can't afford as a result of this bill. The bill requires the debtor in some cases to have to challenge big corporate lenders in court to prove they are eligible to seek relief under Chapter 7 of the bankruptcy code. In addition, this bill also allows creditors to threaten debtors with costly litigation that will force many families to needlessly give up their legal rights.

In their continuing compassion, the Republicans have crafted this so-called reform so that a parent seeking child support from a bankrupt spouse will have to fight it out with creditors in order to receive payment. Meanwhile, this bill makes it easier for those seeking bankruptcy protection to lose their homes or be evicted by the landlords. Yet, those with million dollar mansions will be able to keep their homes even while seeking the same protection under the law. Nothing like a fair shake for America's working families.

Finally, Mr. Speaker, with all of the perks they've awarded to the big credit card companies, Republicans have done nothing to ensure that they are held accountable for their role in this consumer crisis. There is nothing in this bill that stops the abusive, predatory lending that lands too many Americans in bankruptcy in the first place.

Bankruptcy has always been about giving a fresh start to those who have fallen on hard times. The link between illness, job loss, and health insurance is a harsh reality in our country today. It is morally reprehensible to suggest that we exploit medical tragedies befalling honest, hardworking Americans in order to grant the wishes of the credit card companies.

I urge my colleagues to vote down this merciless legislation. Now is not the time to turn the tables on America's working families. Vote no on S.256.